BILL # HB 2383 **TITLE:** AHCCCS; PACE program

SPONSOR: Stump **STATUS:** As Introduced

PREPARED BY: John Malloy

FISCAL ANALYSIS

Description

HB 2383 creates statutory authority for Program of All-inclusive Care for the Elderly (PACE) programs to participate in providing services to clients in the Arizona Long Term Care System (ALTCS). PACE is an alternative form of home and community based care. HB 2383 also requires the Auditor General to conduct a performance and financial audit within 3 years after the first PACE program begins. Finally, the proposed legislation would limit the number of PACE Programs authorized by the Arizona Health Care Cost Containment System (AHCCCS) to 4 before October 1, 2009.

Estimated Impact

The fiscal impact of this bill cannot be determined with certainty. The fiscal impact will depend on which services a PACE participant would have received without a PACE program. If PACE programs enroll healthier, lower-cost ALTCS members that would have otherwise received services in home and community based settings, this legislation could have a cost. If PACE programs enroll more individuals who would have otherwise received services in an institutionalized setting, then this legislation could produce savings.

Federal law prohibits the levying of the 2% premium tax on PACE Providers. AHCCCS estimates a net General Fund reduction of $60,000 per 200 PACE participants

In addition to any programmatic cost or savings, AHCCCS has estimated that implementation costs associated with PACE would be $553,000, with on-going costs of $450,000. An analysis of implementation as well as on-going costs of other states that have instituted PACE Programs suggest that AHCCCS' estimates may be high.

Analysis

PACE began as demonstration project in 1986, and was permanently recognized as a provider type under the Balanced Budget Act of 1997. PACE is financed through capitated payments from Medicare, Medicaid or private payers. The PACE model involves the use of an interdisciplinary team to assess an enrollees needs, create care plans and deliver services all through an integrated model. Federal requirements dictate that participants be at least 55 years old, live in a PACE service area and be certified as eligible for nursing home care by AHCCCS. Although not a requirement, nearly all PACE enrollees are also eligible for Medicaid.

Payments by AHCCCS for PACE enrollees would be negotiated between the state and PACE. Federal provisions require that the negotiated rate be less than the average ALTCS capitation rate. The state would be required to calculate an upper payment limit (UPL) which would include the weighted costs for both the home and community based populations as well as the nursing home population. The rates paid to PACE providers would be set at a percentage of this UPL, typically 85-98%.

Currently, ALTCS members who do not require the level of care provided by nursing facilities may receive care in Home and Community Based Settings (HCBS). The monthly costs per ALTCS member are significantly less for members enrolled in HCBS programs (approximately $1,167 per month) than for members in Nursing Facilities (approximately $3,687 per month). Program contractors are paid average monthly capitation rates that are based on the Nursing Facility (NF) / HCBS splits in each program contractor. Statewide, the estimated NF/HCBS split is approximately 39%/61%, and the statewide average capitation rate is approximately $2,767 per member per month.

Because PACE capitation rates must be lower than the rates paid to program contractors, this legislation would result in a savings if the PACE programs serve enrollees in the same proportion (Nursing Facility compared to Home and Community

Based) as they otherwise would have been served in the ALTCS Program. If, however, PACE programs draw enrollees who are currently placed in home and community based settings, there could be a cost as the PACE programs would be reimbursed the average capitation rate instead of the lower HCBS rate that other program contractors would receive. Based on the current statewide NF/HCBS splits, if PACE programs draw more than 61% of their members from HCBS programs, then this legislation would have a cost; if they draw more than 39% of their members from nursing facilities, then this legislation could produce state savings.

Because PACE programs have the ability to deny enrollment to individuals if they cannot be maintained in a community based setting, PACE programs may be more likely to enroll fewer nursing facility members than the ALTCS program as a whole. Additionally, the high percentage of ALTCS members receiving in home and community based services already may make it more difficult for PACE to produce savings.

In Arizona, 61% of members receive home and community based services. Nationwide, between 30% to 35% of long-term care participants are serviced in home and community-based facilities.

Local Government Impact

Current statute requires the state and the counties to share (50/50) the costs of the yearly growth of the ALTCS program. Therefore, if this legislation leads to a General Fund cost, then it will also lead to increased county costs; if it generates state savings, it would also generate county savings.

2/15/06